

A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Washington Elementary School District

SEPTEMBER • 2008



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Auditor General

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OFFICE OF THE
AUDITOR GENERAL

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September 17, 2008

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Governing Board
Washington Elementary School District

Dr. Susan Cook, Superintendent
Washington Elementary School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Washington Elementary School District*, conducted pursuant to A.R.S. §41-1279.03. I am also transmitting with this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the District agrees with all of the findings and recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on September 18, 2008.

Sincerely,

Debbie Davenport
Auditor General

DD:rml
Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Washington Elementary School District (District) pursuant to A.R.S. §41-1279.03(A)(9). This performance audit examines seven aspects of the District's operations: administration, student transportation, plant operation and maintenance, expenditures of sales taxes received under Proposition 301, the accuracy of district records used to calculate the percentage of dollars spent in the classroom, expenditures of desegregation monies, and the District's English Language Learner (ELL) programs.

Administration (see pages 5 through 8)

Washington Elementary School District's per-pupil administrative costs of \$629 were slightly higher than the comparable districts' average per-pupil costs of \$579. However, the District's costs were lower than the state average of \$703 per pupil. The District spent 8.3 percent of its available operating dollars on administration, which was lower than the state average of 9.5 percent, but higher than the comparison districts' average of 7.9 percent. These slightly higher costs occurred primarily in purchased services and are related to information technology (IT) service and support for the District's computer network, student information system, and educational computer software, and for consulting services for activities such as marketing and analyzing employee benefit costs. In addition, the District does not have adequate policies and practices to protect its computer network and data. For example, some users had more access to the District's computerized accounting system than was necessary to perform their job duties.

Student transportation (see pages 9 through 15)

In fiscal year 2007, Washington ESD spent approximately \$3.8 million more on student transportation than it received in related revenues. The District's \$5.63 cost per mile was 56 percent higher than the comparable districts' \$3.60 average, and its \$1,147 per-rider costs were 59 percent higher than the comparable districts' \$720

average. Costs were high for several reasons. Specifically, the District had high salary and benefit costs because it employed 36 percent more bus drivers than the comparable districts, and it paid out over \$100,000 in incentives to its transportation employees. In addition, the District's bus routes were inefficient, with 23 percent of its regular routes operating below 50 percent capacity. Also contributing to its high transportation costs were the \$374,000 paid to vendors to transport some of the District's special needs and homeless students. Further, the District did not accurately report route mileage for state funding purposes, and as a result, was likely overfunded by approximately \$75,000 in fiscal year 2008. Finally, the District did not ensure state requirements for school bus drivers and bus preventative maintenance were met.

Plant operation and maintenance (see pages 17 through 20)

Washington ESD's fiscal year 2007 per-student plant costs of \$684 were 10 percent lower than the comparable districts' average of \$759 and 21 percent lower than the \$863 per-student average cost for all elementary school districts state-wide. Plant costs were low primarily because the District maintained less square footage. Specifically, the District maintained 120 square feet per pupil, while the comparable districts maintained an average of 131 square feet per pupil. Using facilities and site councils and demographic studies, the District managed its space to help ensure that it used the square footage as efficiently as possible. Additionally, in fiscal year 2006, the District implemented a preventative maintenance program that can potentially reduce future repair and maintenance costs. Finally, Washington ESD implemented changes to its community-use fee schedule to ensure that, in the future, it recovers its costs associated with community use of its facilities.

Proposition 301 monies (see pages 21 through 23)

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. For fiscal year 2007, Washington ESD spent its Proposition 301 monies as specified in its plan and for statutorily authorized purposes. On average, eligible employees received base pay increases of \$1,214, performance pay of \$2,121, and additional compensation increases of \$2,422 through menu option monies for a total average increase of \$5,757. However, the District's Proposition 301 plan did not specify an amount of performance pay that employees could earn if they met all performance criteria. The plan should list an amount or range of performance pay so that employees know the amount of performance they can potentially earn.

Classroom dollars (see pages 25 through 27)

Statute requires the Auditor General to determine the percentage of every dollar Arizona school districts spend in the classroom. Therefore, auditors reviewed the District's recording of classroom and other expenditures to determine their accuracy. The District's fiscal year 2007 classroom dollar percentage of 60.1 percent is slightly below the comparable districts' 60.8 percent average and the 61.2 percent national average, and 2.2 percentage points above the 57.9 percent state average for the same fiscal year.

In addition, despite having a slightly lower classroom dollar percentage, Washington ESD spent \$286 more per pupil in total, including \$131 more per pupil in the classroom than the comparable districts averaged. The District was able to do this because it received more total funding per pupil than the comparable districts, on average. Washington ESD's additional funding came primarily from desegregation monies, federal grants, and monies from a voter-approved budget override. Also, the District spent comparatively more per pupil on food service because it had a high percentage (62 percent) of students who were eligible for free or reduced price lunches, and it served more meals than the comparable districts.

Desegregation monies (see pages 29 through 33)

Washington Elementary School District was 1 of 19 Arizona school districts budgeting monies to address desegregation issues in fiscal year 2007. The District's desegregation agreement with the U.S. Department of Education, Office of Civil Rights, requires Washington ESD to ensure that it provides equal educational opportunities for English Language Learner (ELL) students. Federal officials found ELL compliance problems with the District as early as 1986, but the District did not start funding desegregation until 1998, when the District reports that the growing numbers of ELL students and the increasing costs associated with educating them created the need to tax for desegregation funding. In fiscal year 2007, the District spent about \$6.1 million in desegregation monies, or an average of \$1,031 per ELL student. Although 95 percent of the District's desegregation monies were spent on classroom instruction costs, primarily teacher salaries and benefits, the District's average class size remains slightly larger than the comparable districts' average. The District does not currently have a formal plan describing the needs and goals of the desegregation program or how it will spend desegregation monies.

English Language Learner programs, costs, and funding (see pages 35 through 41)

Statute requires the Auditor General to review school district compliance with ELL requirements. In fiscal year 2007, Washington ESD identified approximately 25 percent of its students as English language learners and provided instruction for them in several different types of programs. The District took a mainstreaming approach to providing ELL instruction, meaning that it placed students in regular classes and provided them with additional support. Further, 379 ELL students attended the District's summer compensatory instruction program focusing on English language development. However, the District will need to change its ELL approach substantially to comply with new instructional models being implemented under a 2007 Arizona statute. For example, by fiscal year 2009, the District will have to add additional hours to its reading classes so that ELL students receive the required four hours of English language acquisition.

Washington ESD had approximately \$9.2 million in ELL-related monies to spend in fiscal year 2007, but actually spent \$7.1 million. The District separately tracked the costs it considered to be ELL-related; however, some costs assigned to the ELL program were not incremental. Incremental costs are costs incurred in addition to those associated with teaching English-fluent students.

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INTRODUCTION & BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Washington Elementary School District (District) pursuant to A.R.S. §41-1279.03(A)(9). This performance audit examines seven aspects of the District's operations: administration, student transportation, plant operation and maintenance, expenditures of sales taxes received under Proposition 301, the accuracy of district records used to calculate the percentage of dollars spent in the classroom, expenditures of desegregation monies, and the District's English Language Learner program.

Washington ESD is located in Maricopa County and encompasses north central Phoenix and east Glendale. In fiscal year 2007, the District had 32 schools serving 23,145 students in pre-kindergarten through 8th grade. The District was and continues to be the most populated elementary district within the State.

A 5-member board governs the District, and a superintendent and 2 assistant superintendents manage it. In fiscal year 2007, the District employed 30 principals and contracted out for 2 principals who were prior district employees. In addition, the District employed 17 directors, 12 assistant principals, 1,353 certified teachers, 379 instructional aides, and 1,035 other employees, such as administrative staff, bus drivers, and custodians.

District programs and challenges

The District offers a wide range of instructional and extracurricular programs (see textbox). Extracurricular activities include after-school athletic programs and club associations for subjects such as math and homework. The District's Abraham Lincoln Traditional School, a kindergarten-through-grade-8 school, stresses traditional skills and values. This school does not have attendance boundaries and is therefore open to all students living within the District. District officials stated that there is a waiting list for this school.

The District offers:

- Full-day kindergarten
- Gifted services, music, art, and physical education at all schools
- Athletics
- National Junior Honor Society
- Reading First grant program
- Head Start
- Community preschools
- After-school programs

The Washington Education Foundation is an independent non-profit community program that has existed for 12 years to serve the District. The Foundation provides mini-grants to teachers to meet or enhance student learning. Teachers apply for the grants which are awarded twice a year. For example, three 4th-grade classrooms were awarded \$500 each to establish classroom libraries. A 3rd-grade teacher used the grant monies to purchase recorded books on tape, blank tapes, recorders, and earphones for students to check out and use at home. According to district officials, the Foundation awarded \$18,000 in January 2008 to district teachers.

Additionally, the District has a Planning and Steering Council that facilitates and monitors processes and procedures related to the development and implementation of district goals, including curriculum, student assessments, school and department budgets and improvement plans, and professional development plans and practices. Each school also has a site council that facilitates and monitors issues pertaining to the school such as school improvement planning, budget development, and staff selection.

In fiscal year 2007, the District had an agreement with a cell phone service provider to build four cell phone towers: two on school sites and two on district sites. Since then, another tower was built at a third school site. The phone company signed an initial 4-year lease for \$50,000, paid up-front, for each of the towers. Additionally, after the initial 4 years, the District collects approximately \$1,000 per month for each tower. If the cell tower is built on a school site, all monies earned are deposited into a capital spending account for that school. District schools are using these monies for capital projects, including upgrading parking lots, playgrounds, and sprinkler systems, and planting trees and shrubs on school grounds. Monies collected for cell towers on district sites will be used for capital projects as determined by the district administration.

For the 2007 school year, the District had 2 schools labeled "excelling," 6 labeled "highly performing," 8 labeled "performing plus," 11 labeled "performing," and 5 labeled "underperforming," through the Arizona LEARNS program. Additionally, 26 of the District's schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act, while 6 schools failed to meet at least one of the required objectives.

District officials stated that as a geographically large district, Washington ESD has a very diverse student population and faces the challenge of meeting different needs at each school site. For example, in fiscal year 2007, the District served approximately 370 refugee students from two main settlement areas and a few smaller settlement areas within the district boundaries. During this year, the District's student body spoke a total of 55 languages from all over the world, and 25 percent were English Language Learners.

Scope and methodology

Based in part on their effect on classroom dollars, as reported in the Auditor General's annual report, *Arizona Public School Districts' Dollars Spent in the Classroom (Classroom Dollars report)*, this audit focused on three operational areas: administration, student transportation, and plant operation and maintenance. Further, because of the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how accurately it accounted for dollars spent in the classroom. In addition, auditors reviewed the District's desegregation expenditures to provide an overview of how the District used these monies. Finally, because of A.R.S. §15-756.02 requirements, auditors reviewed the District's English Language Learner (ELL) program to determine its compliance with program and accounting requirements.

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2007 summary accounting data for all districts and the District's fiscal year 2007 detailed accounting data, contracts, and other district documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff.

To develop comparative data for use in analyzing the District's performance, auditors selected a group of comparable districts. Using average daily membership counts and number of schools information obtained from the Arizona Department of Education, auditors selected the comparable districts based primarily on having a similar number of students and schools as Washington Elementary School District, and secondarily on district type, location, classroom dollar percentage, and other factors. Additionally:

- To assess the District's administrative costs' accuracy, auditors evaluated internal controls related to expenditure processing and tested the accuracy of fiscal year 2007 expenditures. Auditors also reviewed personnel files and interviewed district and school administrators about their duties, salaries, and related costs, and compared these to similar districts'.
- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, and bus maintenance and safety records. Auditors also reviewed fiscal year 2007 transportation costs and compared them to similar districts'.
- To assess whether the District's plant operation and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2007 plant operation and maintenance costs and district building space, and compared these costs and capacities to similar districts'.

- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2007 expenditures to determine whether they were appropriate, properly accounted for, and remained within statutory limits. Auditors also reviewed the District's performance pay plan and analyzed how performance pay was being distributed.
- To assess the accuracy of the District's classroom dollars and other expenditures, auditors reviewed accounting records to determine whether costs were properly recorded.
- To report information about the District's desegregation program, auditors reviewed the District's administrative agreements, desegregation plan, and related expenditures.
- To assess the District's compliance with ELL program and accounting requirements, auditors examined the District's testing records for students who had a primary home language other than English, interviewed appropriate district personnel about the District's ELL programs, and evaluated the District's ELL-related revenues and costs.

The audit was conducted in accordance with government auditing standards.

The Auditor General and her staff express their appreciation to the Washington Elementary School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

CHAPTER 1

Administration

Washington Elementary School District's administrative costs per pupil were slightly higher than comparable districts' costs, but lower than the state average. The District spent 8.3 percent of its available operating dollars on administration, lower than the state average of 9.5 percent, but higher than the comparison districts' average of 7.9 percent.¹ These higher costs occurred primarily in purchased services and are related to information technology (IT) service and support, and contracting for administrators and consultants. Further, the District does not have adequate policies and practices to protect its computerized accounting system and other data.

What are administrative costs?

Administrative costs are those associated with directing and managing a school district's responsibilities at both the school and district level. At the school level, administrative costs are primarily associated with the principal's office. At the district level, administrative costs are primarily associated with the governing board, superintendent's office, business office, and central support services, such as planning, research, data processing, etc. For purposes of this report, only current administrative costs, such as salaries, benefits, supplies, and purchased services, were considered.²

Administrative costs are monies spent for the following items and activities:

- General administrative expenses are associated with the governing board's and superintendent's offices, such as elections, staff relations, and secretarial, legal, audit, and other services; the superintendent's salary, benefits, and office expenses; community, state, and federal relations; and lobbying;
- School administration expenses such as salaries and benefits for school principals and assistants who supervise school operations, coordinate activities, evaluate staff, etc., and for clerical support staff;
- Business support services such as budgeting and payroll; purchasing, warehousing, and distributing equipment, furniture, and supplies; and printing and publishing; and
- Central support services such as planning, research, development, and evaluation services; informing students, staff, and the general public about educational and administrative issues; recruiting, placing, and training personnel; and data processing.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

¹ Available operating dollars consist of monies used to make current expenditures as defined in footnote 2.

² Current expenditures are those incurred for the District's day-to-day operation. They exclude costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

Administrative costs were slightly higher than comparable districts', but lower than state average

Washington ESD spent \$629 per pupil on administrative costs, about 9 percent more than the \$579 per pupil the comparable districts averaged. The District also spent a larger proportion of its available operating dollars for administration than comparable districts spent, on average. Washington ESD spent 8.3 percent of its available operating dollars on administration, 0.4 percentage points higher than the comparable districts' average. However, it spent a smaller proportion for administration than the state average of 9.5 percent. The following tables use fiscal year 2007 cost information because it is the most recent year for which all comparable districts' cost data was available.

When administrative costs are further divided into categories, the District's higher costs occur primarily in purchased services. As shown in Table 2 on page 7, at \$85 per pupil, Washington ESD's purchased services costs were about twice as high, or \$41 per pupil, as the comparable districts averaged. These higher costs were specifically due to higher purchased professional and technical services such as IT service and support, and consulting services.

Table 1: Total and Per-Pupil Administrative Cost Comparison
Fiscal Year 2007
(Unaudited)

District Name	Total Administrative Costs	Number of Students	Administrative Cost Per Pupil
Scottsdale USD	\$16,938,110	25,333	\$669
Sunnyside USD	10,408,250	16,411	634
Washington ESD	14,562,775	23,145	629
Cartwright ESD	10,730,292	19,188	559
Kyrene ESD	8,760,691	16,336	536
Paradise Valley USD	16,382,399	32,880	498
Average of the comparable districts	\$12,643,948	22,030	\$579

Source: Auditor General staff analysis of district-reported fiscal year 2007 accounting data and average daily membership information obtained from the Arizona Department of Education.

Table 2: Comparison of Per-Pupil Administrative Costs by Category
Fiscal Year 2007
(Unaudited)

District Name	Salaries and Benefits	Purchased Services	Supplies and Other	Total
Scottsdale USD	\$603	\$52	\$14	\$669
Sunnyside USD	547	58	29	634
Washington ESD	530	85	14	629
Cartwright ESD	503	36	20	559
Kyrene ESD	493	37	6	536
Paradise Valley USD	448	36	14	498
Average of the comparable districts	\$519	\$44	\$17	\$579

Source: Auditor General staff analysis of district-reported fiscal year 2007 accounting data and average daily membership information obtained from the Arizona Department of Education.

IT service and support—The District spent approximately \$470,000 for IT service and support for its computer network, student information system, and educational computer programs such as Read 180 and ZipZoom. Most of the comparable districts reported that all IT services and support were performed in-house rather than by contracted vendors.

Consulting services—The District also spent approximately \$117,000 for outside consulting services for activities such as marketing and communication, updating and reviewing the District’s policy manual, conducting an employee benefits cost analysis, and directing employee salary negotiations. While the comparable districts reported that they do not contract out for these types of services, they do use consultants for activities such as district and employee improvement seminars, goal setting, and other leadership service.

District’s policies do not adequately protect its computerized accounting system and other data

Washington ESD did not establish proper security for its computerized accounting system. Specifically, the access granted to some users allowed them to execute more tasks through the accounting system than necessary to perform their job duties. This access allowed such users to initiate and complete transactions without an independent supervisory review. Access beyond what is required for job duties exposes the District to increased risk of errors, misuse of sensitive information, and fraud, such as processing false invoices or adding nonexistent vendors.

In addition, auditors found examples of employee practices that point to employees' lack of basic computer security awareness. For example, auditors observed teachers leaving computers logged in to district systems and unlocked when they were away from their desks or classrooms. The District maintains confidential and sensitive student information, and failure to lock or turn off computers can allow unauthorized users access to this information, making it susceptible to being viewed, changed, or deleted. While the District requires staff to sign a network use agreement, the addition of a basic computer security awareness training could inform employees of the steps they can take to help protect the District's system and data.

Recommendations

1. The District should restrict access and regularly review employees' access to its computerized accounting system to ensure their access is appropriate.
2. The District should implement basic computer security training for employees to inform them of the importance of security measures, such as locking computers when away from their desks to prevent unauthorized users from accessing district software and data.

CHAPTER 2

Student transportation

Washington ESD spent approximately \$3.8 million more on student transportation than it received in related revenues. The District spent significantly more per mile and a larger percentage of its available operating dollars on transportation than comparable districts averaged. Contributing factors included having more employees than comparable districts, paying safety and attendance incentives to drivers, maintaining inefficient routes, and not monitoring performance measures. Attention to greater efficiency means that more dollars could be used in the classroom instead. Further, the District did not accurately report route mileage for state funding purposes, ensure driver requirements were met, or appropriately oversee its bus fleet.

Background

During fiscal year 2007, Washington ESD transported 6,890 of its 23,145 students to and from its 32 schools and 12 special needs facilities. In addition to regular and special needs routes, the District provided transportation for field trips, athletic events, and extracurricular activities. The District utilizes staggered start times for its schools, allowing the same buses and bus drivers to make multiple morning and afternoon runs. The transportation department operated all regular and some activity routes, and transported some of its special needs and homeless students. In addition, the District contracted out transportation for some special needs and homeless students, as well as some activity and field trips, in fiscal year 2007.

Transportation Facts for Fiscal Year 2007

Riders ¹	6,890
Bus drivers*	109
Mechanics*	11
Total route miles ¹	1,402,814
Total noncapital expenditures	\$7,901,636

¹ Auditor-calculated rider counts and mileage using district records.

* Full-time equivalents.

Transportation costs were 56 percent higher than comparable districts' and program was subsidized by \$3.8 million

As shown in Table 3, Washington ESD spent \$5.63 per mile in fiscal year 2007, 56 percent more than the comparable districts' \$3.60 average. In addition, at \$1,147, the District's per-rider costs were 59 percent higher than the comparable districts' average of \$720. Further, in fiscal year 2007, the District spent \$3.8 million more on transportation operating expenditures than it received in state transportation revenues. If not spent on transportation, this amount could potentially have been spent in the classroom.

Table 3: Students Transported, Route Mileage, and Costs
Fiscal Year 2007
(Unaudited)

District Name	Total Riders ¹	Total Route Miles ¹	Total Noncapital Expenditures	Cost Per Rider	Cost Per Mile
Washington ESD	6,890¹	1,402,814¹	\$7,901,636	\$1,147	\$5.63
Cartwright ESD	5,356	441,806	2,048,786	383	4.46
Sunnyside USD	8,343	854,685	3,280,355	393	3.84
Scottsdale USD	6,389	2,592,402	8,324,826	1,303	3.21
Paradise Valley USD	9,093	2,351,509	7,496,294	824	3.19
Kyrene ESD	5,754	1,287,203	4,013,919	698	3.12
Average of the comparable districts	6,987	1,505,521	\$5,032,836	\$720	\$3.60

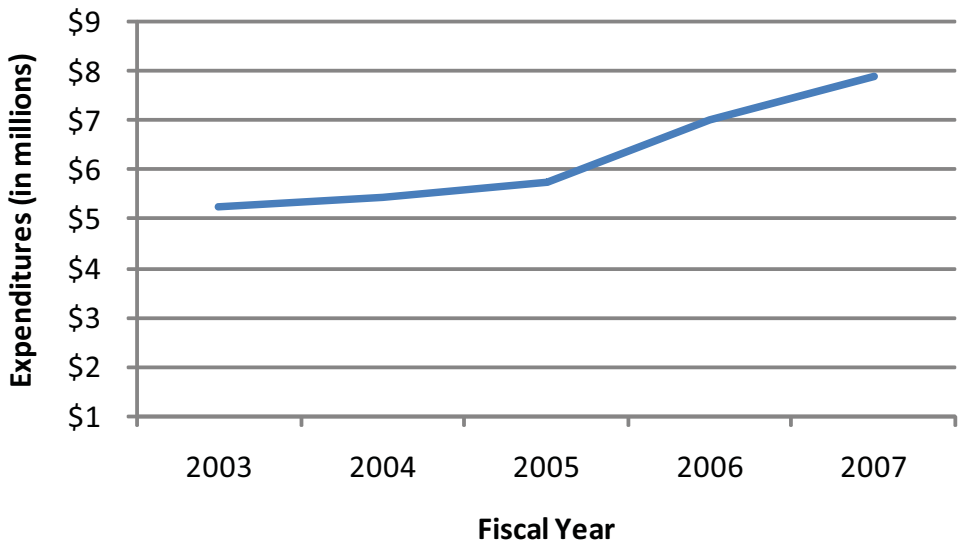
¹ Washington ESD riders and miles were calculated by auditors using district records.

Source: Auditor General staff analysis of Arizona Department of Education fiscal year 2007 district mileage reports and district-reported fiscal year 2007 accounting data.

Over the past several fiscal years, the District's transportation costs and the percentage of available operating dollars it spends on transportation have been increasing even though the number of eligible riders has remained fairly constant. As shown in Figure 1 (see page 11), in fiscal year 2003, the District spent about \$5.2 million on transportation, or 3.6 percent of its available operating dollars. Over the next 4 fiscal years, the District's transportation costs increased by \$2.7 million to \$7.9 million in fiscal year 2007, which was 4.5 percent of that fiscal year's total current expenditures.

Several factors have contributed to the District's high transportation costs, including high costs for salaries and benefits and purchased services, inefficient routes, and failure to establish and monitor performance measures or costs to effectively manage the program.

Figure 1: District Growth in Transportation Expenditures by Fiscal Year
 Fiscal Years 2003 through 2007
 (Unaudited)



Source: Auditor General staff analysis of district-reported fiscal year 2003 through 2007 accounting data.

High salary and benefit costs—As shown in Table 4 (see page 12), Washington ESD spent \$1.79 more per mile on salaries and benefits than the comparable districts averaged, in part because it employed more transportation staff and paid them incentives. Washington ESD employed 181 transportation employees, which was 62 percent more than the 112 employees the comparable districts employed, on average. Further, at 109 full-time equivalent positions, the number of bus drivers the District employed was 36 percent higher than the comparable districts' average of 80 FTE. The District's drivers drove fewer route miles than the comparable districts' drivers. Specifically, Washington ESD's drivers each drove approximately 13,000 route miles during fiscal year 2007, while the comparable districts' drivers averaged 17,400 miles each. The District's number of transportation employees and its transportation costs increased significantly in fiscal year 2006 when the District converted many of its part-time driver positions to full-time positions despite the fact that the number of route miles and riders did not change significantly. This increased the District's transportation FTEs by 57. According to the District, this change was made to help recruit and retain bus drivers.

During fiscal year 2006, Washington ESD also implemented additional incentives to aid in driver retention and to reduce absenteeism. In addition to service awards of \$650 per year that all full-time district employees are eligible to receive, transportation employees can also receive other incentives. Bus drivers can earn

Table 4: Comparison of Per-Mile Transportation Costs by Category
Fiscal Year 2007
(Unaudited)

District Name	Salaries and Benefits	Purchased Services	Supplies and Other	Total
Washington ESD	\$4.57	\$0.48	\$0.58	\$5.63
Cartwright ESD	3.64	0.11	0.89	4.64
Sunnyside USD	3.17	0.27	0.40	3.84
Scottsdale USD	2.14	0.67	0.40	3.21
Paradise Valley USD	2.40	0.25	0.54	3.19
Kyrene ESD	2.54	0.14	0.44	3.12
Average of the comparable districts	\$2.78	\$0.29	\$0.53	\$3.60

Source: Auditor General staff analysis of Arizona Department of Education fiscal year 2007 district mileage report and district-reported fiscal year 2007 accounting data.

\$50 per semester and bus assistants can earn \$25 per semester for not having any accidents. All transportation employees are eligible to receive \$150 per semester for perfect attendance, \$100 for having only one absence, or \$50 for having two absences a semester. Although it paid out incentives totaling more than \$100,000 in fiscal year 2007, district officials stated that absenteeism remains a problem. Further, none of the comparable districts paid incentives to transportation employees.

Higher purchased services costs—In addition to higher salary and benefit costs, Washington ESD also spent \$0.19, or 66 percent, more per mile on purchased services than the comparable districts averaged. The majority of the purchased services costs are attributable to the District’s outsourced transportation, which totaled approximately \$374,000. During fiscal year 2007, Washington ESD used eight vendors to transport some of its special needs students and homeless students. Depending on the vendor, the District was charged a flat per-student rate, based on the time the van or bus was used, or charged per mile. However, the District did not take the different vendors’ rates into consideration when assigning students to the vendors. Therefore, the District does not know if it placed each student with the vendor that was the most economical for the student’s given situation.

In addition, Washington ESD did not have written contracts with three of these eight vendors. Further, the five existing contracts did not adequately outline terms or charges associated with student no shows or cancellations. Without written terms, the District has no basis for determining if vendor billings are appropriate prior to payment. Further, the District did not compare invoices to price sheets to ensure it was being billed appropriately.

District routes were inefficient—While the District's overall capacity utilization rate for its regular routes was 72 percent, just under the 75-percent standard of efficiency, bus capacity utilization per bus varied greatly, demonstrating the routes' inefficiency. Specifically, 32 of the District's 137 regular routes, or 23 percent, operated below 50 percent of capacity with one mid-day route for kindergarten students operating at 4 percent. Although drivers perform daily rider counts, which are entered into spreadsheets by office staff, transportation officials do not monitor these counts or make corresponding route adjustments. Further, the District has routing software, but uses it only to plot student addresses, not to create routes. Instead, transportation staff manually create the routes using student addresses and maps, and drivers are responsible for manually creating special needs route and adjusting them based on student additions, withdrawals, and address changes. Because the District does not have an efficient procedure for making special needs route changes, instances have occurred where students were missed and drivers had to make additional trips to go back and pick up students. The District should utilize the data and software it currently has to create, evaluate, and adjust routes to increase route efficiency.

Performance measures were not established and monitored—Washington ESD's high transportation costs and the \$3.8 million used to subsidize the transportation program emphasize the need for the District to better monitor transportation operations. Measures such as cost per mile, cost per rider, and bus capacity utilization percentage can help the District identify areas for improvement. The District has not established and monitored performance measures for the transportation program, although both currently collected data and the District's software program would allow for this analysis. Monitoring data on driver productivity and bus capacity utilization rates can help identify route segments with low ridership, segments that may be combined, or buses that are under filled or overcrowded. Without such performance measures, the District is unable to evaluate the efficiency of its program and proactively identify operational issues that may need to be addressed.

The District overstated its route mileage for state funding purposes

Washington ESD's records did not support the mileage it reported to the Arizona Department of Education (ADE) for fiscal year 2007 state transportation aid. Districts receive state monies for student transportation based on a formula that uses the number of eligible students transported and route miles traveled. Based on district-provided spreadsheets and bus logs, auditors determined that the District made calculation errors resulting in an overstatement of its total route mileage by approximately 30,000 miles. Specifically, the District miscalculated the miles associated with contracted routes for transporting homeless students, overstating

these miles by over 90,000 miles. Calculation errors associated with special needs routes resulted in these miles being understated by approximately 50,000 miles. In addition, regular route miles were understated by approximately 10,000 miles. Further, the District was unable to provide documentation supporting its district-provided homeless mileage and some of its contracted special needs mileage or how it calculated its rider counts.

ADE requires districts to report actual miles and eligible riders transported for state funding purposes. Because of the District's overstated mileage, auditors determined that Washington ESD was likely overfunded by about \$75,000 in fiscal year 2008.

Required student transportation standards were not met

Although required to meet the requirements outlined in the Department of Public Safety's (DPS) *Minimum Standards for School Buses and School Bus Drivers (Minimum Standards)*, the District did not meet standards in two areas; ensuring a documented preventative maintenance program for its school buses, and ensuring that drivers meet all certification requirements.

Preventative maintenance not performed according to policy—

According to *Minimum Standards*, districts must be able to demonstrate that their school buses receive periodic preventative maintenance services. Washington ESD has preventative maintenance schedules for its buses and a software program that reports when buses are approaching scheduled preventative maintenance. However, according to a district report, preventive maintenance was overdue on 82 percent of the District's 131 school buses. Poor preventative maintenance procedures can decrease the life expectancy of a bus and lead to more costly repairs. With more than 40 percent of the District's bus fleet over 10 years of age, it is important for the District to perform preventative maintenance in a timely manner. The District should implement proper fleet management practices, such as ensuring that it is adequately overseeing its bus fleet's use and maintenance.

Driver certification requirements were not met—*Minimum Standards* also

require that drivers be properly certified and receive periodic physical examinations, drug tests, refresher training, and CPR and first aid certification. However, 11 of 21 driver files reviewed showed lapses or expiration in annual drug tests, CPR and first aid certificates, or driver training during fiscal year 2008, and 1 file included no indication that CPR or first aid training had ever been received. District officials reported using database software to track driver requirements, but did not have a system in place to notify them when expiration dates were approaching. Further, the District maintained documentation of CPR, first aid, and

refresher training separately from driver files and not by individual driver, making it difficult for the District to verify that driver requirements were met. To comply with *Minimum Standards* and help ensure a safe transportation program, better monitoring of training, certifications, and drug testing is necessary.

Vehicle used to transport students did not meet statutory or *Minimum Standards* requirements—Auditors noted Washington ESD used a 12-passenger van to transport homeless students to and from school. However, A.R.S. §28-101 requires that vehicles designed to carry more than 10 passengers which are used for transporting students to and from school must meet all of the requirements of a school bus. *Minimum Standards* prescribe those requirements, including safety feature requirements, such as emergency exits, lighting, signals, and mirrors, which were missing from the 12-passenger van. Further, vans that are designed to carry more than 10 passengers present safety issues. Specifically, federal law prohibits school systems from purchasing or leasing new 11- to 15-passenger vans to transport students to or from school and to events because these vans are prone to rolling or tipping over. Because the van used by the District does not meet all of the school bus requirements and could potentially present safety issues, it should not be used to transport students to and from school.

Recommendations

1. To improve the efficiency of its student transportation program, the District should:
 - a. Evaluate its bus driver staffing levels to determine if the number of drivers can be reduced;
 - b. Review rider counts throughout the year to evaluate and adjust routes to increase efficiency; and
 - c. Develop and monitor performance measures, such as cost per mile, cost per rider, driver productivity, and bus capacity utilization.
2. The District should determine whether the employee incentives available to transportation employees are cost beneficial and help to recruit and retain transportation employees.
3. The District should establish and maintain contracts with all of its transportation vendors and ensure that the contracts include all necessary terms and rates so that invoices can be reviewed for accuracy.

4. The District should maintain adequate documentation of its riders and miles, and accurately calculate and report the data needed for state funding.
5. The District should ensure that bus preventative maintenance is conducted and documented as specified in the Arizona Department of Public Safety's *Minimum Standards for School Buses and School Bus Drivers* and according to district policies.
6. The District should implement proper fleet management practices, such as ensuring that it is adequately overseeing its bus fleet's use and maintenance.
7. The District should maintain complete driver files and implement a procedure to ensure that all driver requirements are met in accordance with DPS *Minimum Standards*.
8. The District should discontinue using 11- to 15-passenger vans to transport students to and from school.

CHAPTER 3

Plant operation and maintenance

In fiscal year 2007, Washington ESD spent 9 percent of its available operating dollars on plant operation and maintenance, while the State's average is 11.3 percent, and the comparable districts' average is 10.4 percent.¹ The District's plant costs per student were 10 percent lower than comparable districts', primarily due to maintaining less square footage and making decisions to use its space more efficiently. Additionally, the District implemented a preventative maintenance program, which can potentially reduce future repair and maintenance costs. Further, Washington ESD implemented changes to its community use fee schedule to ensure that it recovers the costs associated with community-use of its facilities in the future.

What are plant operation and maintenance costs?

Salaries, benefits, and other costs for heating and cooling, equipment repair, groundskeeping, and security.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

Lower per-student plant costs due to maintaining less square footage

As shown in Table 5 (see page 18), Washington ESD spent a similar amount per square foot as the average for the comparable districts, but spent less per student than all but one of the comparable districts. The District's \$684-per-student plant costs were 10 percent lower than the comparable districts' average of \$759. As a result, Washington ESD spent only 9 percent of its available operating dollars on plant costs, while the comparable districts' average was 10.4 percent and the state-wide average was 11.3 percent. These lower per-pupil plant costs were largely a result of the District's maintaining less square footage than comparable districts and making effective use of its space.

Although three of the comparable districts have high schools, which typically generate higher costs for maintaining specialized facilities, such as football fields, swimming pools, chemistry laboratories, and vocational education facilities, Washington ESD's per-pupil costs are still lower when compared to other district

¹ Current expenditures are those incurred for the District's day-to-day operation. They exclude costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

groups. For example, Washington ESD's per-pupil costs were 21 percent lower than the \$863-per-pupil costs for all elementary school districts state-wide, and 13 percent lower than the \$783-per-pupil costs for all similarly sized districts (20,000 or more students) state-wide.

Less square footage maintained—The District's lower per-student costs were primarily due to its comparatively small amount of building space. As shown in Table 5, Washington ESD maintained only 120 square feet per student, which was 8 percent less than the comparable districts' average of 131 square feet. This placed the District closer to the state minimum standards of 80 to 84 square feet per student than the comparable districts.¹ Further, even though Washington ESD had more schools than the comparable districts, as shown in Table 6 (see page 19), its schools were smaller with an average of only about 87,000 square feet per school. The comparable districts' schools averaged 99,000 square feet per school, or about 14 percent more. As mentioned above, three of the comparable districts have high schools, which usually have more square footage than elementary or middle schools. However, Washington ESD's average school size is close to one of the three districts with high schools and considerably smaller than one of the districts that has only elementary and middle schools.

**Table 5: Plant Costs and Square Footage Comparison
Fiscal Year 2007
(Unaudited)**

District Name	Plant Costs				Square Footage Per Student
	Total	Per Student	Per Square Foot	Total Gross Square Footage	
Scottsdale USD	\$23,504,684	\$928	\$6.57	3,579,532	141
Sunnyside USD	13,060,547	796	6.71	1,946,524	119
Paradise Valley USD	24,570,503	747	5.17	4,749,508	144
Kyrene ESD	12,131,688	743	4.83	2,511,349	154
Washington ESD	15,824,350	684	5.69	2,781,542	120
Cartwright ESD	11,147,871	581	5.88	1,894,909	99
Average of the comparable districts	\$16,883,059	\$759	\$5.83	2,936,364	131
State-wide average of elementary districts		\$863	\$6.58		

Source: Auditor General staff analysis of district-reported fiscal year 2007 accounting data, average daily membership information obtained from the Arizona Department of Education, and fiscal year 2007 gross square footage information obtained from the Arizona School Facilities Board.

In addition, the District takes specific steps to better manage and make efficient use of its square footage. Specifically, the District has a Facilities Council that identifies issues regarding facility use; discusses attendance boundaries, facility safety, and major facility projects; and prioritizes projects and presents

¹ A.R.S. §15-2011 sets the state minimum square footage per student at 80 square feet for elementary school and 84 square feet for middle schools.

suggestions to the Superintendent and Governing Board. In addition, each school has a Site Council to monitor issues pertaining to that school site. In October 2005, Washington ESD had a consultant conduct a demographic study that analyzed enrollment, demographics, and development trends, and a classroom inventory that updated the capacity for each district school. Based on these reports and recommendations made by the facilities and site councils, in fiscal year 2007, the governing board approved adjustments to one school's attendance area and the transfer of students between schools to avoid overcrowding. Further, the District changed the grade configuration of one school from a kindergarten-through-6th-grade configuration to a kindergarten-through-8th-grade configuration in order to address student achievement issues.

**Table 6: Square Footage and Number of Schools Comparison
Fiscal Year 2007
(Unaudited)**

District Name	Number of Schools	Total Gross Square Footage	Gross Square Feet Per School
Scottsdale USD	33	3,579,532	108,471
Paradise Valley USD	46	4,749,508	103,250
Kyrene ESD	25	2,511,349	100,454
Sunnyside USD	21	1,946,524	92,692
Cartwright ESD	21	1,894,909	90,234
Washington ESD	32	2,781,542	86,923
Average of the comparable districts	29	2,936,364	99,020

Source: Auditor General staff analysis of fiscal year 2007 gross square footage and number of schools information obtained from the Arizona School Facilities Board.

District's preventative maintenance program could further lower its future plant operation costs

In 2006, Washington ESD implemented a preventative maintenance program to help reduce repair and maintenance costs. The District dedicated five staff to regular preventative maintenance reviews of district and school buildings. The staff includes HVAC specialists and general tradesmen with skills in all maintenance areas. While some of the comparable districts reported that they conduct preventative maintenance as well, according to their facility directors, only three districts dedicated district-level staff solely to preventative maintenance. However, these three districts dedicated only two to three district staff to perform these duties. Washington ESD uses recommended schedules provided by the Arizona School Facilities Board as guidelines for its preventative maintenance program. Since the District has only

recently implemented this program, it has yet to realize cost savings. However, a preventative maintenance program could help the District avoid more complex, contracted repair costs to its buildings and equipment in the future and potentially lower its overall plant operation and maintenance costs.

District implemented changes to community-use fees

Washington ESD determined that it was not recovering costs for the community use of its district and school facilities. The District estimated that unrecovered community-use costs amounted to almost \$97,000 for fiscal year 2007, and it realized that it was not in compliance with A.R.S. §15-1105, which states that districts should charge a reasonable fee for use of its facilities.¹ Washington ESD then analyzed its revenues and costs associated with community use, compared its fees to those of other districts, and polled its community for their input. Based on this information, the District implemented a plan to increase fees, and it plans to begin fully recovering the costs associated with community use of its facilities by fiscal year 2010.

¹ According to A.R.S. §15-1105, reasonable use fee means an amount that is at least equal to the school district's cost for utilities, service, supplies, or personnel that the school provides when allowing community use of its facilities. However, the governing board may permit the uncompensated use of school facilities and equipment by any school-related group, including student political organizations or by any organization whose membership is open to the public and whose activities promote the educational function of the school district.

CHAPTER 4

Proposition 301 monies

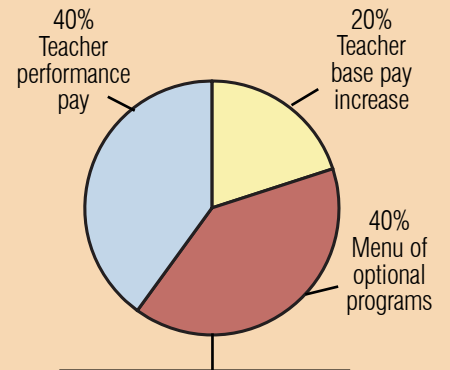
In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. While Washington ESD spent its fiscal year 2007 Proposition 301 monies for statutorily authorized purposes, eligible employees were not aware of the full amount of performance pay they could earn if all performance criteria were met because an amount or range of amounts was not specified in the District's Proposition 301 plan.

Background

In approving Proposition 301, voters increased the state-wide sales tax by six-tenths of 1 percent for 20 years. Under statute, after allocations for ten state-wide educational purposes, such as school facilities revenue bonds and university technology and research initiatives, the remainder of the revenue goes to the Classroom Site Fund for distribution to school districts and charter schools. These monies may be spent only in specific proportions for three main purposes: teacher base pay increases, teacher performance pay, and certain menu options, such as reducing class size, providing dropout prevention programs, and making additional increases in teacher pay.

The District received a total of \$9,041,332 in Proposition 301 monies for fiscal year 2007 and distributed \$8,852,372 to employees. Unspent Proposition 301 monies remain in the District's Classroom Site Fund for future years.

Required apportionment of Proposition 301 monies



- AIMS intervention programs
- Class size reduction
- Dropout prevention programs
- Teacher compensation increases
- Teacher development
- Teacher liability insurance premiums

Proposition 301 plan

In fiscal year 2007, the District paid Proposition 301 monies to teachers, librarians, counselors, speech therapists, student services specialists, and some program coaches who work with teachers.

Base Pay—Washington ESD paid base pay increases to teachers, counselors, speech therapists, librarians, and some of its program coaches. These base pay increases were incorporated into the district salary schedules, and provided a 3.2 percent increase for each salary step. Depending on their placement on the salary schedule, eligible employees could earn from \$1,052 to \$2,084 each, plus related benefits. During fiscal year 2007, eligible employees received an average of \$1,214 each in base pay increases, plus related benefits.

Performance Pay—Washington ESD's Proposition 301 plan was developed by staff, parents, and community members and resulted in the development of specific district-wide goals. The district-wide performance pay plan included eight goals with associated objectives addressing the following areas:

- Leadership
- Culture
- Instructional practices
- Student progress
- Individual/school/district goals
- A safe and inviting environment
- Parental involvement
- School/community relationships

Schools were required to pursue one of the eight goals and at least one associated objective. Seventeen schools chose the goal addressing instructional practices, and eight schools chose the goal addressing student progress. The seven schools that were on school improvement plans utilized these plans as their performance pay plans. Each school then outlined the process by which its staff would meet its chosen goal and objective, including specific steps that would need to be completed, responsible parties, timelines, and success indicators. This written process became the school's performance plan. All teachers within the school were responsible for creating the school performance plan, and at least 75 percent of teachers from each school had to approve the plan. A review team comprised of teachers, parents, and members of the District's Planning and Steering Council reviewed each schools' plan and progress toward specified objectives. Each year, the Governing Board approves the continuation of the district plan, but does not approve each of the individual school plans.

Although the district-wide performance pay plan did not state how much performance pay eligible employees could earn or which positions would be eligible for increases, performance pay was included in eligible employees' contracts. The District determined that teachers, counselors, speech therapists, librarians, and program coaches were eligible for a minimum of \$1,900 in performance pay. However, at the end of fiscal year 2007 when monies were paid to employees, district officials determined that eligible employees at schools that met their goals could earn \$2,121 each, plus related benefits. The review team determined that all of the schools met their objectives for fiscal year 2007. To ensure that eligible employees are aware of the full amount of performance pay they can potentially earn, the District's Proposition 301 plan should include a specific amount or range of performance pay that employees can earn based on the amount of performance pay monies the District expects to receive.

Menu Options—Statute allows school districts to choose among six different options for allocating the menu monies, including:

- AIMS intervention programs
- Class size reduction
- Dropout prevention programs
- Teacher compensation increases
- Teacher development
- Teacher liability insurance premiums

A.R.S. §15-977 specifies that Classroom Site Fund monies spent for AIMS intervention, class size reduction, and dropout prevention be spent only on instruction, except that they cannot be spent for athletics.

The District chose to spend its menu option monies to increase salaries for eligible staff such as teachers, counselors, speech therapists, librarians, and some of its program coaches. Eligible employees received a 6.4 percent increase from these monies. Depending on their placement on the salary schedule, eligible employees could earn from \$2,097 to \$4,155 each, plus related benefits. During fiscal year 2007, eligible employees received an average of \$2,422 each, plus related benefits, from menu option monies.

Recommendation

The District's Proposition 301 plan should specify an amount or a range of performance pay each eligible employees can earn if performance criteria are met.

CHAPTER 5

Classroom dollars

A.R.S. §41-1279.03(A)(9) requires the Auditor General to determine the percentage of every dollar Arizona school districts spend in the classroom. Because of this requirement, auditors reviewed the District's recording of classroom and other expenditures to determine their accuracy. The District's fiscal year 2007 classroom dollar percentage was 60.1 percent. While this percentage was slightly below the comparable district average, it remained over 2 percentage points above the state average of 57.9 percent. Despite having a slightly lower classroom dollar percentage, Washington ESD spent \$286 more per pupil in total, including \$131 more per pupil in the classroom than the comparable districts averaged. The District was able to do this because it received more total funding per pupil than the comparable districts, on average. Washington ESD's additional funding came primarily from desegregation monies, federal grants, and monies from a voter-approved budget override.

District's classroom dollar percentage is slightly below comparable districts,' but still above state average

As shown in Table 7 (see page 26), the District's classroom dollar percentage of 60.1 percent is slightly below the comparable districts' 60.8 percent average and the 61.2 national average, but 2.2 percentage points above the state average for the same fiscal year. In addition, while Washington ESD's 8.3 percent spent on administration was slightly above the comparable districts' average, it was 1.2 percentage points below the state average of 9.5 percent and almost 3 percentage points below the national average of 11 percent.

Table 7: Comparison of Expenditure Percentages and Per-Pupil Expenditures by Function
Fiscal Year 2007
(Unaudited)

	Washington ESD		Comparable Districts' Average		State Average 2007		National Average 2005	
	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures
Total Spending Per Pupil		\$7,586		\$7,300		\$7,382		\$8,702
Classroom dollars	60.1%	\$4,560	60.8%	\$4,429	57.9%	\$4,277	61.2%	\$5,321
Nonclassroom dollars								
Administration	8.3	629	7.9	579	9.5	703	11.0	958
Plant operations	9.0	684	10.4	759	11.3	835	9.6	838
Food service	5.9	445	4.5	331	4.7	344	3.9	337
Transportation	4.5	341	3.0	222	4.3	316	4.1	358
Student support	7.6	575	7.6	555	7.3	542	5.2	453
Instructional support	4.5	346	5.7	420	4.8	355	4.8	417
Other	0.1	6	0.1	5	0.2	10	0.2	20

Source: Auditor General staff analysis of fiscal year 2007 Annual Financial Reports provided by the Arizona Department of Education, summary accounting data provided by individual school districts, and National Center of Education Statistics data from the *Digest of Education Statistics 2005*.

Higher per-pupil spending related to funding resources

Although Washington ESD spent a slightly smaller proportion of its available operating dollars in the classroom than its comparable districts, it still spent \$131 more per pupil in the classroom. Similarly, the District spent \$283 more per pupil in the classroom than the state average of \$4,277. Washington ESD was able to spend more per pupil because it received more desegregation funding and federal grant monies than the comparable districts and also received additional funding through a budget override as outlined below.

- **Desegregation**—Washington ESD spent \$263 per pupil for desegregation. Only two of the comparable districts had desegregation agreements and received additional funding related to desegregation.
- **Federal funding**—Washington ESD spent \$230 more per pupil in federal monies than the comparable districts averaged. More specifically, the District spent approximately \$150 per pupil from the Medicaid Reimbursement Fund, which reimburses schools for services it provides to special needs students. In contrast, the comparable districts spent \$35 on average from this fund with one district not spending any monies. Additionally, Washington ESD spent \$73 per pupil from Title IV while the comparable districts averaged \$6 per pupil. Title IV is the Safe and Drug-Free Schools and Communities federal project, which is designed to prevent school violence and youth drug use, and to help schools and communities create safe, disciplined, and drug-free environments that support student academic achievement.

- **K-3 override**—In addition, Washington ESD received \$64 more per pupil from its K-3 budgetary override than the comparable districts averaged. An override is voter-approved additional budget capacity that allows a district to budget to spend higher amounts than otherwise would be authorized.

Food service and transportation spending was higher

Washington ESD spent higher percentages for food service and transportation costs than the state and comparison district averages. As discussed in the transportation chapter of this report, it appears feasible for the District to make operational improvements that will allow more dollars to be directed to the classroom.

Arizona districts, on average, spent 4.7 percent of their available operating dollars on food service programs, but Washington ESD spent 5.9 percent in fiscal year 2007. Also, the District spent \$445 per pupil, which was 34 percent more than the comparable districts' average of \$331. One reason the District incurred higher costs relates to more students eating school meals. Specifically, during fiscal year 2007, the District reported serving approximately 5.7 million lunch-equivalent meals while the comparable districts, on average, reported serving about 3 million meals. The higher number of meals served appears related to a high National School Lunch Program eligibility percentage. Washington ESD reported 62 percent of its students eligible for free or reduced-price lunch in fiscal year 2007, while the comparable districts' reported eligibility averaged approximately 46 percent.

CHAPTER 6

Desegregation monies

Washington ESD was 1 of 19 Arizona school districts budgeting monies to address desegregation in fiscal year 2007. The District's desegregation agreement with the U.S. Department of Education, Office of Civil Rights (OCR), requires Washington ESD to ensure that it provides equal educational opportunities for English Language Learners (ELL). Although federal officials found ELL compliance problems with the District as early as 1986, the District did not start funding desegregation until 1998. In fiscal year 2007, the District spent about \$6.1 million in desegregation monies, or an average of \$1,031 per ELL student. Ninety-five percent of the District's desegregation monies were spent on classroom instruction costs. However, the District does not currently have a formal plan for spending its desegregation monies. Further, the District should begin accounting for its ELL-related desegregation costs using required account codes.

Background

The U.S. Supreme Court stated that segregation deprives students from equal protection of laws against discrimination based on race as guaranteed by the 14th Amendment. The *Civil Rights Act of 1964* broadened the definition of discrimination to include race, color, religion, or national origin, and prohibits discrimination in any program or activity receiving federal financial assistance.

The U.S. Supreme Court assigned school authorities the responsibilities for desegregation solutions and gave states the responsibilities for funding them. In Arizona, state law allows school districts to budget desegregation expenditures outside of their revenue control and capital outlay revenue limits.¹ This allows districts to gain additional funding through local property taxes and additional state aid for their desegregation activities.

¹ A.R.S. §15-910(G): "The governing board may budget for expenses of complying with or continuing to implement activities which were required or permitted by a court order of desegregation or administrative agreement with the United States Department of Education Office for Civil Rights directed toward remediating alleged or proven racial discrimination which are specifically exempt in whole or in part from the revenue control limit and the capital outlay revenue limit."

Washington ESD is one of 19 Arizona school districts that spent additional monies in fiscal year 2007 to comply with OCR, administrative agreements or federal court orders. These agreements and court orders address civil rights violations in the areas of race, color, religion, national origin, disabilities, or gender. Most of the 19 Arizona school districts' agreements or orders addressed national origin or language issues.

Districts must report their desegregation expenditures on their Annual Financial Reports submitted to the Arizona Department of Education (ADE) and periodically send ADE a copy of their court orders or agreements and other documentation. Additionally, districts must report other specified information to the Governor, legislators, and legislative education committee chairpersons once every 2 years.

District desegregation efforts

The District's desegregation spending stems from an OCR compliance audit and a July 1995 complaint against one of its schools. Specifically:

- In April 1986, OCR notified Washington ESD that it had been selected for a compliance audit that would "review compliance with Section 504 and Title VI as they pertain to the provision of equal educational opportunity to language minority students with special education needs." In October 1986, OCR concluded its assessment and provided the District with a letter indicating areas of noncompliance. The District submitted a letter to OCR stating that it intended to come into compliance to ensure equal educational opportunity for district language minority students.
- In July 1995, OCR received a complaint alleging that Washington ESD discriminated against national origin minority Limited English Proficient (LEP) students at Sunnyslope Elementary School on the basis of race, color, national origin, and disability. In June 1996, Washington ESD submitted a Commitment to Resolve plan to OCR, which addressed the 13 allegations filed in the Sunnyslope Elementary complaint. With additional input from the parents and involvement from the community, the District created its final plan, and in 2001, OCR closed the complaint regarding Sunnyslope Elementary. The District's plan outlined procedures to meet guidelines for the identification, assessment, program placement, and reclassification of identified LEP students.

District desegregation expenditures

In fiscal year 1998, 12 years after the original compliance review in 1986 and 3 years after the 1995 complaint, Washington ESD began levying taxes for desegregation funding. According to district officials, the growing number of ELL students and the increasing costs associated with educating ELL students created the need to tax for desegregation funding. As shown in Table 8, the District budgeted \$1.75 million in noncapital desegregation funding for fiscal year 1998. In fiscal year 2001, the District obtained a study conducted by an Arizona Senate analyst on behalf of 17 legislators, which suggested that \$1,527 was an appropriate funding level for each ELL student. Based on this amount and its number of ELL students, the District calculated a total desegregation amount and then subtracted the state funding it received for its ELL students. The remaining \$6.4 million was the noncapital amount the District levied for fiscal year 2002. This is approximately \$4.6 million, or 263 percent, more than the District levied in fiscal year 1998. The District has continued funding desegregation at this level since fiscal year 2002.

Table 8: Amounts Budgeted and Spent for Desegregation
Fiscal Year 2007
(Unaudited)

Fiscal Year	Number of ELL Students	Amount			
		Total Budgeted	Budgeted Per ELL Student	Total Spent	Spent Per ELL Student
1998	*	\$1,750,000	*	*	*
1999	2,727	1,785,000	\$ 655	\$1,800,973	\$ 660
2000	3,534	3,213,726	909	3,210,607	908
2001	3,996	5,204,465	1,302	5,104,465	1,277
2002	4,706	6,356,735	1,351	6,356,735	1,351
2003	5,247	6,356,735	1,212	6,356,735	1,212
2004	5,069	6,356,735	1,254	6,356,735	1,254
2005	5,045	6,356,735	1,260	6,311,010	1,251
2006	5,107	6,356,735	1,245	6,175,113	1,209
2007	5,896	6,356,735	1,078	6,080,321	1,031

* The number of ELL students and amount spent for fiscal year 1998 was not available.

Source: Auditor General staff analysis of district-reported levy amounts and desegregation expenditures, and number of ELL students obtained from the Arizona Department of Education for fiscal years 1998 through 2007.

During that same period, the amount actually spent on desegregation has decreased slightly each year. In fiscal year 2007, excluding capital costs, Washington ESD spent about \$6.1 million for desegregation, or \$1,031 per ELL student. According to district officials, the District is trying to reduce its dependence on desegregation monies since it may not always be available or available in similar amounts.

The District has no formal plan for spending desegregation monies. In the absence of a formal plan, the District allocates desegregation monies to each school based on the number of ELL students at the school. In fiscal year 2007, the District reported that 5,896 (or 25 percent) of its students were ELL. According to district officials, desegregation monies fund the identification and assessment of students who have a primary home language other than English; educational programs for students who have been assessed as limited English proficient; and the assignment of highly qualified, trained staff to work with limited English proficient students. District officials stated that the desegregation funding mechanism has allowed the District to fully uphold its legal mandates related to ELL students and to provide services to students who are otherwise under-funded.

A formal desegregation plan would help the District tie the needs and goals of its desegregation program to the specific issues identified in the complaint and the 1986 compliance review. A formal plan could also be used to aid the District in budgeting for its programs, determining the appropriate amount of taxes it levies to pay for its desegregation programs, and ensuring that all expenditures meet the stated purposes for the program.

Desegregation monies provided about 70 percent of the special funding the District had available for its ELL programs. Besides the \$1,078 per pupil the District received in desegregation monies in fiscal year 2007, it also received approximately \$316 per pupil in additional state funding. However, the uses of the additional state funding are not required to be separately accounted for as desegregation monies are.

As shown in Table 9, approximately 95 percent of the District's desegregation expenditures were for instructional purposes, primarily for salaries and benefits of teachers and instructional assistants. However, the District's average class size remained slightly larger than the comparable districts'.

About 4.5 percent of desegregation expenditures were for student support and instructional services, primarily for salaries and benefits of translators, testing specialists, the language services coordinator, and program coaches. Of the 246 employees paid with desegregation monies, the District paid 154 employees the majority of their salaries from desegregation funds. Apparent accounting errors resulted in the District's using desegregation monies to pay approximately \$58,000 in salary and benefits costs for additional duties unrelated to desegregation that should have been paid from other monies.

Table 9: Cost Percentages for Desegregation Expenditures
Fiscal Year 2007
(Unaudited)

Percentage	Function
94.9%	Instruction
3.6	Instructional Support
1.2	Student Support
0.3	Other
100.0%	Total

Source: Auditor General staff analysis of Washington ESD fiscal year 2007 accounting records.

The District's fiscal year 2007 classroom dollar percentage for all current expenditures was 60.1 percent, which is 2.2 percentage points above the State's average of 57.9 percent. However, without desegregation monies, the District would have spent only 58.9 percent of its dollars in the classroom.

While the District increases its budget for desegregation costs and levies local property taxes each year to obtain desegregation monies to provide ELL-related services, it also receives additional state and federal funding for ELL students. The following chapter discusses the District's ELL programs and uses of its combined ELL resources.

New fiscal year 2007 accounting requirements—Beginning in fiscal year 2007, statute required that districts account for ELL-related desegregation costs using specific account codes. However, Washington ESD did not account for these monies using the required program codes in fiscal year 2007.

Recommendations

1. The District should create a desegregation plan based on findings from its past complaints and compliance review. The plan should specify the needs and goals of the desegregation program and budget monies based on these stated needs and goals.
2. The District should ensure that it levies desegregation monies in accordance with its plan and budget and uses these monies for purposes stated in its plan.
3. The District should begin accounting for ELL-related desegregation costs using the correct account codes.

CHAPTER 7

English Language Learner programs, costs, and funding

A.R.S. §§15-756.12 and 41-1279.03(9) require the Auditor General to review school district compliance with English Language Learner (ELL) requirements. In fiscal year 2007, the District identified approximately 25 percent of its students as English language learners and provided instruction for them in several different types of programs. The District took a mainstreaming approach to providing ELL instruction, meaning that it placed students in regular classes and provided them with additional support. It will need to change this approach substantially to comply with new instructional models being implemented under a 2007 Arizona statute. The District separately accounted for ELL-related costs. However, some of its reported costs should not have been included or were incorrectly classified. In fiscal year 2007, the District received over \$2 million more in ELL-related monies than it spent for its ELL programs.

Background

English Language Learners are students whose native language is not English and who are not currently able to perform ordinary classroom work in English. ELL students are identified through a state-adopted language proficiency test. School districts and charter schools are required to administer this test to students if the primary language spoken in the student's home is other than English, and then re-test annually those students identified as ELL. School districts must then report the test results to the Arizona Department of Education (ADE).

By reporting their numbers of ELL students, districts are eligible for additional monies for ELL programs through the State's school funding formula, the federal Title III program, and other sources. In addition, effective September 2006, HB 2064 (see Figure 2 on page 36) established the Structured English Immersion (SEI) and Compensatory Instruction (CI) funds and programs. Among other things, this law

established an English Language Learner Task Force to develop and adopt research-based, cost-efficient SEI program models and establish procedures for determining the models' incremental costs—that is, the costs incurred that are in addition to those associated with teaching English-fluent students. The law also requires the Office of the Auditor General to biennially audit the State's ELL program, review ELL requirements in school district performance audits, and conduct financial audits of the ELL-related budget requests of school districts selected for monitoring by ADE.

Figure 2: ELL Requirements for School Districts and Charter Schools
House Bill 2064 Provisions

School districts and charter schools are required to:

- Assess the English proficiency of new students when it is indicated that the primary language spoken in the home is other than English. In addition, students already identified as ELL must be tested annually.
- Monitor former ELL students who have been reclassified as English proficient and retest their language proficiency annually for 2 years.

School districts and charter schools with ELL students can:

- Submit a CI budget request to ADE and use these monies as specified to supplement existing programs.
- Adopt an SEI model and submit an SEI budget request to ADE, then use the monies as specified to supplement existing programs.

Source: Auditor General staff analysis of Laws 2006, 2nd Regular Session, Chapter 4 (HB 2064).

Types of ELL programs in Arizona

During fiscal year 2007, school districts and charter schools offered ELL programs that are described in statute as Structured or Sheltered English Immersion, Bilingual, and Mainstream.¹

- Structured English Immersion, or Sheltered English Immersion, is an English language acquisition process providing nearly all classroom instruction in English, but using a curriculum designed for children who are learning the language. HB 2064 specifically established a mechanism for funding SEI instruction.
- Bilingual education/native language instruction is a language acquisition process providing most or all of the instruction, textbooks, and teaching materials in the child's native language. Many bilingual programs were

¹ A.R.S. §15-751.

eliminated after Proposition 203 was approved in November 2000.¹ However, some districts still maintain these programs for parents who sign waivers to formally request that their children be placed in a bilingual program.

- Mainstream involves placing ELL students in regular classrooms along with English-fluent students when the students are close to becoming English proficient or when there are not enough ELL students to create a separate SEI class. Generally, ELL students in mainstream classrooms receive the same instruction as English-fluent students, but receive additional support, such as small group lessons or assistance from an instructional aide.

Besides providing ELL programs, districts can augment this instruction with additional Compensatory Instruction programs. Effective in fiscal year 2007, CI programs are defined as programs that are in addition to normal classroom instruction, such as individual or small group instruction, extended-day classes, summer school, or intersession, and that are limited to improving the English proficiency of current ELL students and those who have been reclassified within the previous 2 years.

District's ELL program

State law requires that districts administer an English proficiency test to all students with a primary home language other than English. In fiscal year 2007, Washington ESD administered the Arizona English Language Learner Assessment (AZELLA) exam to these students and identified 5,896 students (25 percent of its total students) as English language learners. The proficiency of these learners ranged from pre-emergent to intermediate (see textbox). The ELL students were then placed in the District's ELL program, which has two components—mainstream and CI classes.

Mainstream—In fiscal year 2007, the District placed its 5,896 ELL students in mainstream classrooms with an ELL-endorsed teacher. All elementary schools had a mandated program, but the program instruction was based on grade levels. Grades K-3 had a daily 90-minute reading period, and grades 4-6 had two class periods designated for language arts, including reading. Within these programs, students were assigned within the classroom to groups based on their skill needs. These classes contained a mix of ELL and English-proficient students. In addition, students found struggling within the mandated reading programs received additional instruction in the form of a literacy lab or targeted-needs-based instruction from a teacher.

Levels of English Language Proficiency:

Pre-emergent—Student does not understand enough language to perform in English.

Emergent—Student understands and can speak a few isolated English words.

Basic—Student may understand slower speech, and speak, read, and write simple words and phrases, but often makes mistakes.

Intermediate—Student can understand familiar topics and is somewhat fluent in English, but has difficulty with academic conversations.

Proficient—Student can read and understand texts and conversations at a normal speed, and can speak and write fluently with minor errors.

Source: Arizona Department of Education.

¹ In November 2000, voters passed Proposition 203, requiring that schools use English to teach English acquisition and that all students be placed in English classrooms. The new law required that schools use SEI programs and eliminate bilingual programs unless approved by parents with signed waivers.

The middle schools had a 2-hour English and Language Arts block for ELL and English proficient students, and students were assigned to groups based on their skill needs. In addition, two of the five middle schools that had higher ELL populations added additional 2-hour blocks consisting of English and Social Studies instruction. The five middle schools serving 7th and 8th grade students as well as a few of the elementary schools provided separate classes for students who were 2 or more years below grade level in reading. These classes included both ELL students and English proficient students.

The District had a three-tier intervention program for students having difficulty gaining English proficiency. The first tier of intervention was small group instruction within the regular classroom. This small group instruction was provided by the regular classroom teacher and targeted students' specific skill needs. The second level of intervention involved students attending an additional period of instruction where their specific needs were targeted. At some schools, this additional instruction was provided in the literacy lab, while at other schools, classes would have an additional teacher to help with small group instruction. The third tier of intervention involved students attending the summer school program. The intervention models varied by school based on staffing, space, and the specific needs of the student population. Washington ESD used English language software programs such as Rosetta Stone and Read 180 to supplement instruction, provide assessments, and track student progress. In fiscal year 2008, the District expanded the third-tier intervention program to include after-school and Saturday school programs.

Substantial changes to the District's current program and structure will be needed in the future. Statute requires districts to provide ELL students with 4 hours of English language acquisition each day in accordance with models developed by the ELL Task Force.¹ Additionally, the models specify that pre-emergent and emergent-level ELL students must be grouped together, and kindergarten students must be grouped separately from students in other grades. Complying with the models, which were adopted in September 2007, means the District will have to do the following:

- Restructure the current program so that pre-emergent and emergent-level ELL students are grouped together and kindergarten students are grouped separately.
- Add additional hours to its reading blocks so that ELL students receive the required 4 hours of English language acquisition.
- Ensure that the curriculum includes the model's English language development components, such as oral English, grammar, and reading.

1 A.R.S. §15-756.01(C) requires the ELL Task Force to develop models that include a minimum of 4 hours per day of English language development for students classified as English language learners. The adopted models describe the required content for English language development.

District officials stated that it will be difficult to conduct separate classes for its pre-emergent and emergent students and for its kindergarten students because of the high numbers of ELL students at the lower grade levels. If these students are pulled out for separate classes, there will be very few ELL-proficient students remaining. However, the District plans to make the changes necessary to be in compliance with the new models for fiscal year 2009.

Compensatory Instruction—In fiscal year 2007, the District offered a summer program for its ELL students. According to the District, 379 of these students participated in classes targeting English language development. The District used AZELLA test data, district ELL reports, and teacher recommendations to determine the students who should attend the program. The classes were taught by ELL-endorsed teachers and included 4 hours of daily instruction based on the students' Written Individual Instruction Plan (WIIP). The District provided separate instruction for students classified as pre-emergent and emergent. The program was provided free-of-charge to district students and included breakfast, lunch, and transportation for all students. As mentioned above, in fiscal year 2008, the District expanded its compensatory instruction efforts to include after-school and Saturday school programs.

District's ELL funding and costs

Beginning in fiscal year 2007, school districts were required to identify and report ELL incremental costs. Incremental costs are those in addition to the normal costs of educating English-proficient students, and they do not include costs that replace the same types of services provided to English-proficient students. As shown in the textbox example, if ELL instruction is provided in smaller classes, the additional teachers needed to achieve the smaller class size would be an incremental cost.

Reported costs appear to be ELL-related, but some were not incremental—In fiscal year 2007, Washington ESD separately tracked the costs it considered to be ELL-related; however, some costs the District assigned to the ELL program were not incremental. Incremental costs are costs incurred in addition to those associated with teaching English-fluent students and include costs for after-school programs, bilingual instructional aides, and ELL-related conferences. However, the District recorded some costs to its ELL program that were not spent solely for ELL students. For example, the District reported the entire salaries and benefits for some teachers as ELL costs, even though the teachers also taught non-ELL students. Further, the District did not account for the incremented portion of its ELL program costs funded by desegregation monies.

Incremental cost example:

- Average class size of 25 students, but ELL class size of 15.
- Average teacher salary of \$42,000 (excluding stipends and other special pay).
- 825 total students would require 33 teachers.
- With 75 ELL students, 5 ELL teachers would be required, and the remaining 750 students would require 30 teachers, for a total of 35 teachers.

ELL program salary cost:
 $\$42,000 \times 5 \text{ ELL teachers} = \$210,000$

ELL incremental salary cost:
 $\$42,000 \times 2 \text{ additional teachers} = \$84,000$

ELL funding exceeded related expenditures—Although the District did not separately identify its incremental ELL costs, the amount of ELL funding received was sufficient to cover the costs identified as ELL costs. As shown in Table 10, Washington ESD had approximately \$9.2 million in ELL-related monies available to spend in fiscal year 2007, including \$6.4 million in desegregation funding, \$1.9 million in state aid known as ELL Group B-weight monies, and \$718,000 in federal Title III monies. Additionally, the District had \$83,000 in unspent state ELL grant money from prior years and received \$199,000 from the State for its CI program. These available ELL-related monies equaled \$1,564 per ELL student. During this same year, the District recorded spending about \$7.1 million on its ELL program, or \$1,209 per ELL student, which includes expenditures that were not incremental ELL costs. Due to the lack of sufficient information, the exact amounts that should be adjusted to arrive at incremental ELL costs could not be determined. However, the District’s ELL-related monies available exceeded the recorded ELL program costs by more than \$2 million. Further, the District did not account for the incremental portion of its ELL program costs funded by desegregation monies.

**Table 10: ELL Available Monies and Expenditures
Fiscal Year 2007
(Unaudited)**

Source	Available Monies	Expenditures
Desegregation	\$6,356,735	\$6,080,321
ELL Group B-weight	1,863,343	94,414
Title III	717,688	513,075
Compensatory Instruction	198,820	129,273
SEI Reimbursement ¹	82,750	73,037
Other ²	-----	238,890
Total	\$9,219,336	\$7,129,010
Per ELL Student	\$1,564	\$1,209

¹ These monies remained unspent from prior year HB 2010 allocations.

² These expenditures include Title I, soft capital, indirect costs, and other grant monies that the District spent on its ELL program, but that were not from an ELL-specific source.

Source: Auditor General staff analysis of district-reported fiscal year 2007 accounting data and budgets, data obtained from the Arizona Department of Education's Grants Management Enterprise system, and average daily membership data obtained from the Arizona Department of Education.

Recommendations

1. By fiscal year 2009, the District should expand its English language development instruction to align with the models adopted by the ELL Task Force in September 2007.
2. The District should begin separately accounting for the incremental portion of ELL costs, including those funded by desegregation monies, and retain documentation supporting how those amounts are determined.

DISTRICT RESPONSE



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The Washington Elementary School District is committed to achieving excellence for every child; every day; every opportunity.

September 11, 2008

Debra Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

RE: Response to Washington Elementary School District #6 2006-2007 Performance Audit

Dear Ms. Davenport:

Washington Elementary School District respectfully submits its response to the Performance Audit conducted by the Auditor General for fiscal year 2007. While the final report provides recommendations that will certainly improve our procedures, we believe that the audit demonstrates that the District is committed to both fiscal and programmatic integrity and fidelity.

The comprehensive scope of the audit revealed areas on which we will focus intently for improvement. Plans are already underway and are currently being implemented to address the recommendations. The audit also highlighted areas of operation of which we are proud:

CHAPTER 3 - PLANT MAINTENANCE AND OPERATION

CHAPTER 4 – PROPOSITION 301 MONIES

CHAPTER 5 – CLASSROOM DOLLARS

We appreciate the professionalism of your staff during the audit and their willingness to engage in dialogue to ensure accuracy and understanding. Meaningful conversation occurred during every interaction and that is a genuine tribute to the quality and caliber of the individuals who conducted the audit. The Washington Elementary School District will continue to operate the District in a manner that demonstrates fiscal responsiveness and responsibility that are squarely focused on the needs of students.

Thank you.

Sincerely,

Susan J. Cook, Ed.D.
Superintendent

CHAPTER 1 - ADMINISTRATION

Recommendation #1

The District should restrict access and regularly review employees' access to its computerized accounting system to ensure their access is appropriate.

The District agrees with this recommendation and does regularly evaluate user access to the system. At the time of this performance review the District had just completed implementation of the new accounting system and had given some users additional access while completing the task of setting up the system. We had not completed the entire review and adjustment of user access after implementation, but this will be finalized.

Recommendation #2

The District should implement basic computer security training for employees to inform them of the importance of security measures, such as locking computers when away from their desks to prevent unauthorized users from accessing district software and data.

The District agrees with this recommendation and has already taken action toward implementation. A global policy has been implemented for the network which automatically locks all computers in the district after forty five minutes of inactivity. This is the average length of a classroom period. There is also a plan being developed to train employees upon hire how to lock computers whenever they leave the immediate work area.

CHAPTER 2 - TRANSPORTATION

Recommendation #1

To improve the efficiency of its student transportation program, the District should:

- a. Evaluate its bus driver staffing levels to determine if the number of drivers can be reduced;
- b. Review rider counts throughout the year to evaluate and adjust routes to increase efficiency; and
- c. Develop and monitor performance measures, such as cost per mile, cost per rider, driver productivity, and bus capacity utilization.

The District agrees with this recommendation. A plan has been developed to monitor routes and the number of riders each day. Staff is currently in the process of assessing the efficiency of routes in order to evaluate staffing levels. Adjustments have already been made to the daily process of tracking riders and mileage. Both areas will be consistently monitored throughout the year to assess and optimize the routes. The Transportation Director will develop specific performance objectives to assess our efficiency in all aspects of the Transportation Department. The District will monitor progress toward these objectives throughout the year and modify processes as necessary.

Recommendation #2

The District should determine whether the employee incentives available to transportation employees are cost beneficial and help to recruit and retain transportation employees.

The District agrees with this recommendation and an evaluation of the incentive program was completed in June 2008. The program will continue for one more year and allow for a three-year trend of data collection to evaluate the success of the program and investigate other options to provide incentives for staff.

Recommendation #3

The District should establish and maintain contracts with all of its transportation vendors and ensure that the contracts include all necessary terms and rates so that invoices can be reviewed for accuracy.

The District agrees with this recommendation. The District has developed a plan to clearly define current and future contracts and will monitor charges. The District has requested current vendors to provide more detailed invoices that list the riders by route and day.

Recommendation #4

The District should maintain adequate documentation of its riders and miles, and accurately calculate and report the data needed for state funding.

The District agrees with this recommendation and has already begun to implement process changes in this regard. The District contracted with an outside consultant to review rider and mileage tracking procedures and implemented their recommendations. Transportation staff has been fully trained on the new procedures.

Recommendation #5

The District should ensure that bus preventative maintenance is conducted and documented as specified in the Arizona Department of Public Safety's *Minimum Standards for School Buses and School Bus Drivers* and according to district policies.

The District agrees with this recommendation and will implement. During the 2006-2007 school year a preventative maintenance position was unfilled for a portion of the year. This position has since been filled and other qualified staff is assisting in this program to ensure all maintenance is up to date for vehicles. A plan has been developed to ensure that vehicle maintenance is given priority and that the utilization of shop personnel is maximized.

Recommendation #6

The District should implement proper fleet management practices, such as ensuring that it is adequately overseeing its bus fleet's use and maintenance.

The District agrees with this recommendation and will implement. The District is currently upgrading the fleet maintenance software to maintain more accurate documentation on fleet maintenance. All maintenance must be entered into the computer to ensure accurate accounting of all tasks completed.

Recommendation #7

The District should maintain complete driver files and implement a procedure to ensure that all driver requirements are met in accordance with DPS *Minimum Standards*.

The District agrees with this recommendation and has already begun to implement changes. The filing system has been consolidated to keep training and certification information filed by driver. The District is in the process of implementing a software program linked to the Human Resources system that will track trainings and provide notification when renewals are due. A plan has been developed that includes the Internal Auditor reviewing files and reporting any discrepancies throughout the year.

Recommendation #8

The District should discontinue using 11-15 passenger vans to transport students to and from school.

The District agrees with this recommendation. The 12-passenger van has been taken out of service for transporting students; however, the van was never used to transport more than 8 people.

CHAPTER 3 - PLANT MAINTENANCE AND OPERATION

There were no recommendations for this area.

CHAPTER 4 – PROPOSITION 301 MONIES

Recommendation #1

The District's Proposition 301 plan should specify an amount or a range of performance pay each eligible employee can earn if performance criteria are met.

The District agrees with this recommendation. In the future the Performance Pay Plan will identify an amount or range of amounts that employees might earn that year.

CHAPTER 5 – CLASSROOM DOLLARS

There were no recommendations for this area.

CHAPTER 6 – DESEGREGATION MONIES

Recommendation #1

The District should create a desegregation plan based on findings from its past complaints and compliance review. The plan should specify the needs and goals of the desegregation program and budget monies based on these stated needs and goals.

The District agrees with this recommendation. The District has developed a desegregation plan identifying needs and outlining our goals to align with the district's English language learner program. The budget has been set based on needs identified by schools to provide instruction in accordance with the program.

Recommendation #2

The District should ensure that it levies desegregation monies in accordance with its plan and budget and use these monies for purposes stated in its plan.

The District agrees with this recommendation and has levied and budgeted desegregation monies in accordance with its plan for the 2008-2009 school year. The District will monitor programmatic needs throughout the year and make adjustments to the budget as necessary.

Recommendation #3

The District should begin accounting for ELL-related desegregation costs using the correct account codes.

The District agrees with this recommendation, however, the nature of our program since 2003 has been to designate every teacher in the system as a teacher of English language learners. Therefore, calculating incremental costs was impossible. The District began accounting for specific ELL related desegregation costs during the 2007-2008 school year. Further alignment with the plan and specific coding has been added for 2008-2009.

CHAPTER 7 – ENGLISH LANGUAGE LEARNER PROGRAMS

Recommendation #1

The District should begin expanding its English language development instruction to align with the models adopted by the ELL Task Force in September 2007.

The District agrees with this recommendation insomuch as it applies to every school district in Arizona.

Recommendation #2

The District should begin separately accounting for the incremental portion of ELL costs, including those funded by desegregation monies, and retain documentation supporting how those amounts are determined.

The District agrees with this recommendation, however, the nature of our program since 2003 has been to designate every teacher in the system as a teacher of English language learners. Therefore, calculating incremental costs was impossible. The district will review expenditures to ensure that all actual costs associated with ELL are appropriately coded.